

## Message Text

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42

ORIGIN ARA-10

INFO OCT-01 EUR-12 ISO-00 TRSE-00 EB-07 SSO-00 NSCE-00

INRE-00 SP-02 AID-05 NSC-05 CIEP-01 SS-15 STR-01

OMB-01 CEA-01 L-02 H-01 COME-00 XMB-02 FRB-03 AGR-05

CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01

IGA-01 /090 R

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APPROVED BY ARA:WDROGERS

TREAS:JBUSHNELL

ARA/ECP:WKNEPPER

ARA/NC:FDEVINE

EB/IFD:PHBOEKER

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O 221904Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION IMMEDIATE

AMEMBASSY BOGOTA IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY BRIDGETOWN IMMEDIATE

AMEMBASSY BUENOS AIRES IMMEDIATE

AMEMBASSY GUATEMALA IMMEDIATE

AMEMBASSY KINGSTON IMMEDIATE

AMEMBASSY LA PAZ IMMEDIATE

AMEMBASSY LIMA IMMEDIATE

AMEMBASSY MANAGUA IMMEDIATE

AMEMBASSY MEXICO IMMEDIATE

AMEMBASSY MONTEVIDEO IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY PANAMA IMMEDIATE

AMEMBASSY PORT AU PRINCE IMMEDIATE

AMEMBASSY PORT OF SPAIN IMMEDIATE

AMEMBASSY QUITO IMMEDIATE

AMEMBASSY SAN JOSE IMMEDIATE

AMEMBASSY SAN SALVADOR IMMEDIATE

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AMEMBASSY SANTIAGO IMMEDIATE

AMEMBASSY SANTO DOMINGO IMMEDIATE  
AMEMBASSY TEGUCIGALPA IMMEDIATE  
INFO AMEMBASSY CARACAS IMMEDIATE

C O N F I D E N T I A L STATE 040656

FROM ROGERS

E.O. 11652: GDS  
TAGS: EFIN, IDB  
SUBJECT: VENEZUELAN TRUST FUND AGREEMENT WITH INTER-  
AMERICAN DEVELOPMENT BANK

REF: STATE 008934

1. A MEETING OF THE COMMITTEE OF THE IDB BOARD OF GOVERNORS HAS BEEN CALLED ON SHORT NOTICE FOR THURSDAY, FEBRUARY 27. PRESUMABLY THE ONLY GOVERNOR WHO WILL ATTEND IN HIS OWN RIGHT IS MINISTER HECTOR HURTADO OF VENEZUELA. THE PURPOSE OF THE MEETING IS TO FINALIZE THE IDB POSITION ON VENEZUELA'S DECISION TO ESTABLISH A TRUST FUND OF DOLS 500 MILLION (DOLS 100 MILLION A YEAR, OVER FIVE YEARS) TO BE ADMINISTERED BY THE BANK. THIS IS HARD MONEY (8 PERCENT MINIMUM). WE UNDERSTAND THAT VENEZUELA HAS NOW DECIDED TO MAKE NO COMMITMENT WHATSOEVER WITH RESPECT TO ANY KIND OF RESOURCES FOR THE IDB OTHER THAN EIGHT PERCENT MONEY AT THIS TIME.

2. YOU ARE REQUESTED TO MEET URGENTLY MONDAY WITH THE RESPONSIBLE OFFICIALS OF THE HOST GOVERNMENT TO EXPLAIN, MORE IN SORROW THAN IN ANGER, THE CONSEQUENCES OF VENEZUELA'S DECISION. YOU SHOULD RECALL THAT MINISTER HURTADO AT THE IDB BOARD OF GOVERNORS MEETING IN SANTIAGO LAST MAY FIRMLY PROMISED THAT VENEZUELA WOULD PROVIDE THE IDB WITH CONCESSIONAL, AS WELL AS HARDER, FUNDS. YOU SHOULD GO ON TO SAY THAT THE U.S. OBVIOUSLY DOES NOT OPPOSE THIS ADDITION TO IDB RESOURCES. HOWEVER, THE UNITED STATES CONGRESS WILL CLEARLY REGARD VENEZUELA'S LEADERSHIP WITH RESPECT TO PROVISION OF RESOURCES TO  
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THE IDB AS MOST SIGNIFICANT. THE CONSEQUENCES, THEREFORE, COULD WELL BE THAT THE U.S. CONGRESS WILL INSIST THAT THE UNITED STATES CONTRIBUTION TO THE NEXT REPLENISHMENT ALSO BE LIMITED TO HARD MONEY AT EIGHT PERCENT (I.E., NO CONTRIBUTION TO FSO). FOR THIS REASON, THE U.S. REPRESENTATIVE AT THE MEETING ON THURSDAY WILL NOT SEEK A CONFRONTATION WITH VENEZUELA, NOR OPPOSE THE VENEZUELAN HARD MONEY CONTRIBUTION. HOWEVER, WE DO

THINK IT ESSENTIAL THAT THE OTHER MEMBER NATIONS OF THE IDB BE FULLY AWARE OF THE POSSIBLE IMPLICATIONS--ESPECIALLY FOR THE EFFECTS ON U.S. CONTRIBUTIONS TO THE IDB--OF THE VENEZUELAN DECISION.

3. IDB MANAGEMENT AND HURTADO DISCUSSED IN JANUARY VENEZUELA MAKING AVAILABLE DOLS 100 MILLION EQUIVALENT IN BOLIVARES BUT HURTADO HAS NOW NOTIFIED BANK OF GOV'S DECISION AGAINST DOING SO. THESE FUNDS ARE ALREADY IDB-OWNED AND WOULD BE AVAILABLE FOR USE IN FSO, BUT MUST FIRST BE RELEASED BY VENEZUELA. US WOULD HAVE CONSIDERED THIS AS REASONABLE ALTERNATIVE TO PROVIDING NEW CONCESSIONAL FUNDS UNTIL DE0ISION IS REACHED ON TERMS OF UPCOMING IDB REPLENISHMENT. BANK MANAGEMENT MAY SUGGEST THIS PROPOSAL AGAIN AT THURSDAY MEETING.

4. WE MIGHT ALSO BRIEF THE PRESS AT THIS END WITH RESPECT TO OUR ATTITUDES ON THE ISSUE. WE HAVE URGED YOU TO MEET WITH OST GOVERNMENT REPRESENTATIVES BECAUSE IT IS OUR ASSESSMENT THAT SOME OF THE LATIN REPRESENTATIVES, WHO ARE PERMANENTLY RESIDENT AT THE BANK, DO NOT COMMUNICATE FULLY WITH THEIR CAPITALS. HENCE, THE SIGNIFICANCE OF THE VENEZUELA INITIATIVE MAY NOT BE FULLY APPRECIATED THERE. FOR THIS REASON ALSO, YOU SHOULD PRESS ON HOST GOVERNMENTS REPRESENTED ON THE COMMITTEE OF BOARD OF GOVERNORS (ARGENTINA, BRAZIL, CANADA, COLOMBIA, MEXICO, NICARAGUA, TRINIDAD AND TOBAGO, AND URUGUAY) THE IMPORTANCE OF THEIR BEING REPRESENTED BY SENIOR OFFICIALS AT THE MEETING THURSDAY. THIS IS PARTICULARLY IMPORTANT IN CASE OF MEXICO, WHICH CHAIRS MEETING. WHILE U.S. RECOGNIZES SCHEDULING PROBLEM INVOLVED, WE COULD SUPPORT CHANGE IN TIMING OF  
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MEETING IF IT WOULD PERMIT HIGH-LEVEL MEXICAN OFFICIAL TO ATTEND.

5. FOR BRASILIA, BUENOS AIRES AND MEXICO CITY: IN HOLDING YOUR MEETING, THESE GOVERNMENTS MAY POINT OUT THAT THEY WILL NOT BE ELIGIBLE FOR FSO UNDER NEXT REPLENISHMENT. YOU SHOULD INDICATE THAT WE HOPE FOR THEIR SUPPORT FOR OUR POSITION IN THE INTEREST OF PROVIDING MORE RESOURCES FOR OTHER LATIN COUNTRIES. FYI: THESE COUNTRIES, ALONG WITH VENEZUELA, ARE NOT ELIGIBLE FOR TRUST FUND MONIES AT ALL BECAUSE OF GOV REQUEST TO LIMIT TRUST FUND TO POORER IDB MEMBERS. END FYI.

6. FOR CARACAS: DO NOT TAKE ACTION. TELEGRAM IS FYI ONLY, BUT IF QUERIED BY GOV, MAY BE DRAWN UPON. KISSINGER

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